

U.S. DEPT. OF AGRICULTURE. FARM SECURITY ADMINISTRATION.
MEMORANDUM FOR THE ADMINISTRATOR

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REPORT OF PROGRESS FOR THE TENANT PURCHASE DIVISION
FOR THE PERIOD OCTOBER 1. TO 30, 1938, INCLUSIVE

There follows a report of developments and activities during October related to the progress of the Tenant Purchase program.

1. Tightening up on Farm and Home Management Plan Requirements

All instructions pertaining to TP loans have from the outset stressed the fact that such loans are to be based on sound farm and home management plans. It has therefore been disconcerting to find unmistakable evidence that at least some loans have been made that were not preceded by a clear-cut understanding between the borrower and his wife on the one hand, and the farm and home supervisors on the other, with reference to the plans for operating the farm and the household. These evidences included:

- a. The cases of a few borrowers who have declined to occupy farms after loans have been completed and title has passed. For example, one borrower wanted to operate the TP farm along with an adjoining lease farm and to follow a system of farming which could not be approved from a farm management standpoint. Another said he owned a tractor and the farm he had purchased was not suitable for tractor farming. The kind of farm and home management planning that is required would have forestalled such cases as these.
- b. One region reports that farm and home management plans submitted in support of rehabilitation loans to TP borrowers have consistently shown higher expenses than the original plans drawn in support of TP loans. This can mean but one thing, namely, that the TP plans were superficially made.

c. Some TP borrowers, after signing an agreement in their loan application "...to keep such records and accounts as may be required..." have indicated an unwillingness to keep FSA Family Record Books.

d. Members of the Farm Plan and Loan Section staff and of the Home Management staff, after visiting various regions and states, report that many supervisors do not appear to be aware that records are required; that many TP borrowers have not started records and that many farm and home supervisors need instruction in farm and home management planning and record keeping.

Recognizing that the situations referred to strike at the very foundation of the TP program, definite steps were taken to correct them. A letter was sent to regional directors calling attention to the fact that each TP borrower is required to keep an FSA Family Record Book and requesting that all supervisors be advised accordingly. Divisional Letter No. 8 called attention to evidences that some superficial planning has been done. The whole matter was discussed with the Administrator who suggested that farm and home management schools be held for the instruction of supervisors. A series of conferences were held with Mr. Riggle and members of his staff, and Mrs. Thompson and Miss Souder, culminating in a final conference with these persons, together with Mr. Stephens of the Personnel Division and Mr. Gordon of the Rural Rehabilitation Division. Plans for farm and home management schools have been formulated and a letter has been prepared for the Administrator's signature, requesting regional directors to call members of their staffs together for the purpose of conferring with Washington representatives of the Farm and Home Management Section relative to initiating series of farm and home management schools.

2. Split Loans Disapproved

Information reached the Division during October, that one region had made "Split" or "Combination" loans under which TP money was used for the purchase of land and RR money for repairs and improvements. In the case cited, the RR loan exceeded the amount of the TP loan. Since RR loans run for five years and bear 5 per cent interest, whereas the TP loans run forty years and bear 3 per cent interest, it is apparent that borrowers obtaining split loans are at a disadvantage compared with borrowers who obtain loans wholly from TP funds. The Acting Administrator has requested that no more split loans be made.

3. Requiring Loan Funds to be Carried in F.D.I.C. Banks

At the request of the Acting Administrator, a letter was prepared directing regional directors to require all loan funds advanced to TP borrowers to be deposited in banks protected by F.D.I.C. insurance. Amounts in excess of \$5,000 are to be withdrawn from the original bank of deposit and placed in separate banks likewise protected by F.D.I.C. insurance. Administration Instruction 633.1 was subsequently revised to cover this point.

4. Utilizing State Committees

In meeting with State Farm Security Advisory Committees a year after their original appointments, members of the TP Division staff found some of these committees dissatisfied for the reason that they have not been kept sufficiently informed regarding various phases of the Farm Security Administration program on which they are expected to advise. There is some feeling among State Committee members that they are acting merely as rubber stamps.

These developments were reported at administrative staff meetings and were amplified in conversations with the Administrator. A tentative draft of a letter outlining suggestions for utilizing services of state committeemen more fully was prepared and submitted to the Administrator. Although not released to the field, it led to discussions between the Administrator and various regional directors and it is believed that efforts to correct the dangers of uninformed and dissatisfied committees may follow:

Three alternative courses of action seem open in this connection:

- a. Keeping committees well informed regarding all phases of work and advising with them on important matters of policy. This is applied democracy and will result in compromises from time to time but on the whole and in the long run should prove advantageous to the program.
- b. Dispensing with state advisory committees altogether after the close of the present year on the ground that state coordinating committees will be able to perform their functions. It is probable however that state coordinating committees could or would perform the functions expected of State FSA Advisory Committees.
- c. Pursue a sort of middle ground on the assumption that the situation will not become serious even though some discontent may develop within the ranks of state committees. This is quite untenable as a policy but if we are not alert, we may find ourselves trending toward it.

5. Clarifying Appraisal Procedure

Attempts to revise procedural instructions brought to light the fact that the exact manner in which farm appraisals and farm and home management plans should be utilized in determining farm values, was not clear in the field or within the staff of the Division. A very thorough discussion of the matter led to the preparation of a statement to which the staff could subscribe and this statement (copy of which is attached to the file copy of this report) was released to the field.

6. Farmers' Home Corporation Board Acts on Policies

At a meeting held on October 26, the Farmers' Home Corporation Board took the following actions:

- a. Declined to modify the existing policy with respect to family-size farms as requested by the County Committee of Mecklenburg County, Virginia. The Committee felt that TP borrowers in tobacco areas should buy farms on which there will be at least one tenant family but the Board felt that establishing the precedent of making "landlord" loans would defeat the purpose of the Act.
- b. Declined to modify the \$12,000 loan limit but agreed to make a trip to the field for the purpose of studying the application of this and other policies in both high and low land price areas.
- c. Concluded that a mandatory provision requiring all TP borrowers to comply with AAA regulations is not advisable so long as compliance is strongly urged and generally practiced.

d. Confirmed its decision of August 6 that in those states in which State Advisory Committees are opposed to requiring borrowers to deposit the landlord's share, or some similar amount of receipts, in a controlled bank account, the mandatory requirement be waived. It was agreed that this should be handled by individual exceptions rather than a change in the general order.

7. Functional Order Drafted for TP Division

Complying with a request received from the Procedure Division, the TP Division prepared and submitted a draft of a functional order and divisional chart. The draft of a functional order has been revised by the Procedure Division and presented for clearance. The rearrangements of material are acceptable but certain changes in basic provisions will require further consideration.

8. Form for Reporting Cases Approved

An important form to be issued as FSA-RR 84A and entitled "Report of TP Cases", was cleared within the Division during the month. Members of the TP staff were aided in the preparation of this form by Mr. Briggs of the RR Division. In fact, Mr. Briggs drew the form patterning it after Form 84 of the RR Division. It will become the source of authentic data on number of borrowers and their status with respect to the variable or fixed repayment methods.

9. Extending Appointments of State and County Committees

Pursuant to the decision to extend the appointment of all State and County Committeemen appointed in 1937 from December 31, 1938 to June 30, 1939, the Division initiated the details for consummating this action. Appointment lists are being prepared for the signature of the Secretary and suitable letters containing notice of extension of appointment have been prepared for the signature of the Administrator.

10. Kenneth Smith Visits Puerto Rico

Kenneth Smith of the TP staff, who visited Puerto Rico a year ago for the purpose of inaugurating the TP program there, made a second visit to the Island in October. He found farms and families approved but our local representatives were in need of instructions on putting loan applications in final form for approval. Three applications were put forward while Mr. Smith was on the Island and the local staff will be able to submit others in proper form. The loans made will result in establishing families on farms which they will operate without tenants. Systems of farming advocated by the Experiment Station are being followed.

11. Divisional Letter No. 8

Divisional Letter No. 8, elaborating many points of policy and reporting progress, was released to the field under the date of October 3.

12. Groups Visiting Washington

The TP Division was accorded a welcome opportunity to discuss problems of mutual interest with the following groups visiting Washington during the month:

- a. Regional Directors came in relays and conferences were held with individuals as opportunity presented.
- b. A profitable session, presided over by Baird Snyder, was held with Regional Engineers while they were in Washington. A good understanding and satisfactory working relation was reflected.
- c. A paper entitled "Principles of Conference Planning for Personnel Training" was presented by the Director of the Division before the Regional Personnel Advisers during their conference. The paper is being duplicated for distribution to administrative and supervisory officers in the field.
- d. During an informal session of Information Advisers, presided over by Jack Fischer, the Director of the Division emphasized the importance of close cooperation between Information Advisers and administrative officials in field tours of State Committees. The importance of internal information as contrasted with publicity for the enlightenment of the public was also stressed.

13. The Grady Course in Letter Writing

The TP staff participated in the Grady Course in Letter Writing sponsored by the FSA and derived a great deal of benefit therefrom. The need for instruction in this subject was fully recognized by the staff members. An attempt will be made to follow up the instructions with occasional meetings devoted to letter appraisal within the Division.

14. . Distribution of Annual Progress Report

In the monthly confidential report issued last July, the section devoted to the Tenant Purchase program consisted of a review of the first year's activities of this Division. At the suggestion of the Director of the Division, and with the approval of Mr. Baldwin, 1,000 copies of this section of the report were printed and sent to the field for distribution to Tenant Purchase personnel on regional and state staffs and to members of State Farm Security Advisory Committees. A letter went simultaneously to all regions, explaining the purpose for which the report had been printed and attaching a suggested draft of a letter of transmittal from the regional director to members of the State Advisory Committees.

15. . Forms

Because many of the regions were reporting delays in the program, due to a lack of necessary forms, and because some confusion seemed to exist concerning which forms had or had not been revised or printed, a letter to all regions went to the field on October 13, giving a summary statement of the forms which had been shipped to the field, those on which a 25% delivery had been received from the Government Printing Office and those which were still in the process of being printed.

16. . Applications

At the end of October all of the states and the Territory of Hawaii had finished receiving applications for loans to be made from this year's appropriation. In Puerto Rico, since they were not able to complete any loans last year, they will use the 3200 applications which they have on hand and not open the period for receiving applications again until March

1939. Applications totaling 105,868, almost three times the number received last year, were filed this year. This total, together with the 36,252 applications which were held over from last year, leaves us with 142,120 applications on hand, an average of 30 applications for each loan that can be made this year.

The number of Negro applications this year was five times that of last year in 14 Southern States. This year, out of a total number of 90,280 applicants in 14 Southern States, 28%, or 25,244, were Negroes. Last year only 19% of the total applicants were Negroes. (A complete tabulation of the Number of Applicants for Tenant Purchase Loans by Color is attached.)

17. Loans

As of October 31st, 18 loans for this year, representing \$125,949, had been approved. Seven of these were in Region II, three in Region IV, one in Region V, four in Region VII, one in Region VIII and two in Hawaii. (We are unable to furnish the customary report of progress in the various loan processing steps, and of development work in connection with last year's loans, as quite a few of the regions have failed to submit reports. This, in all probability, is due to the fact that changes in the reporting forms and procedure have given rise to some confusion, and resulted in delaying the submission of reports.)

Since the beginning of the fiscal year we have made seven supplementary loans, totaling \$2,527, to our last year's borrowers. \$1,128 of this amount was spent for repairs and \$1,399 for new buildings.

18. Field Activities

a. Bristol Conference: The Director of the Division attended a two-day conference of Region IV TP personnel held at Bristol, Tennessee, October 27 and 28.

b. Appraisal School in Region VIII: The Assistant Director of the Division conducted an appraisal school in Region VIII on October 24 and 25.

c. Schools of Instruction for County Committeemen:

Pennsylvania - Mr. Brewster attended a school of instruction for county committeemen from eight counties in Pennsylvania on October 5 and, in the absence of the regional TP chief who was ill, conducted the school.

Arizona and California - The Assistant Director of the Division was present at the school for county committeemen from Maricopa County, Arizona, held at Phoenix on October 27 and at the school for county committeemen from San Bernardino County, California, held at Merced, October 31.

19. Study of Processing Loans in Regional Offices

While ~~en route~~ to Puerto Rico, Mr. Smith visited the regional offices in Regions IV and V for the purpose of making a study of the processing of Tenant Purchase loans through regional offices. This was done with the view to determining whether our procedure conformed as closely as possible to practical methods used in the regional offices. Mr. Smith reported on his return that the survey revealed no necessity for any major changes in the present procedure.

20. Conference Relative to Appraisal Work

Mr. Pope spent from October 17 to 19 inclusive in the Region IV office conferring with the chief and assistant chief of the Tenant Purchase Section and the regional chief appraiser relative to appraisal work. He found the

personnel there thoroughly convinced of the value of the technical appraisal, and reports that when the county committees understand the nature of the technical appraisal they appreciate its value also and are eager to utilize it. In the report of his visit, Mr. Pope stated that he believed it highly desirable that the peak load of appraisal work be spread over a longer period and that the employment of a few full-time appraisers would help to effect this. He reported also that the need for subdivision of tracts is becoming increasingly important.

Sincerely yours,

Paul V. Maris, Director
Tenant Purchase Division

NUMBER OF APPLICANTS FOR TENANT PURCHASE LOANS BY COLOR
As of October 31, 1938

14 - Southern States

Region & State	1938			1937 - Applications			Total Applications		
	New Applications			Re- Applications			All	White	Negro
	All	White	Negro	All	White	Negro	All	White	Negro
IV	15,423	11,999	3,424	3,864	3,424	440	19,287	15,423	3,864
Kentucky	1,702	1,635	67	764	x	x	2,466	x	x
N. Carolina	5,532	3,865	1,667 ^a	955	x	x	6,487	x	x
Tennessee	6,041	4,788	1,253 ^b	1,519	x	x	7,560	x	x
Virginia	1,832	1,396	436 ^c	405	x	x	2,237	x	x
West Virginia	316	315	1	221	x	x	537	x	x
V	39,457	27,342	12,115	11,898	8,964	2,934	51,355	36,306	15,049
Alabama	18,621	12,300	6,321	4,868	3,172	1,696	23,489	15,472	8,017
Florida	636	568	68 ^d	253	206	47	889	774	115 ^d
Georgia	12,766	9,498	3,268	4,350	3,634	716	17,116	13,132	3,984
So. Carolina	7,434	4,976	2,458	2,427	1,952	475	9,861	6,928	2,933
VI	24,914	15,899	9,015	5,458	4,296	1,162	30,372	20,195	10,177
Arkansas	12,565	7,824	4,741	2,033	1,667	366	14,598	9,491	5,107
Louisiana	3,166	1,786	1,380	1,177	805	372	4,343	2,591	2,752
Mississippi	9,183	6,289	2,894	2,248	1,824	424	11,431	8,113	3,318
VIII	10,486	9,796	690	3,591	3,303	288	14,077	13,099	978
Oklahoma	3,470	3,214	246	896	821	75	4,366	4,045	321
Texas	7,016	6,572	444	2,695	2,482	213	9,711	9,054	657
Total - 14									
Southern States	90,280	65,036	25,244	24,811	19,987	4,824	115,091	85,013	30,068

Total applicants minus applicants receiving approved loans

x Not reported separately by color

a 68 Indians included

b 3 Indians included

c 2 Indians included

d 1 Indian included

